

Filmed Entertainment

Hollywood represents the global epicenter of the filmed entertainment industry, and the U.S. marketplace is the most valuable for production and consumption. If you can make it in Hollywood you can make it anywhere, as the famous saying goes. Filmed entertainment revenues will grow at a healthy 4.7 percent from 2013 to 2018, to reach \$39.2 billion in the United States.

Today's filmed entertainment industry has been affected by various market forces, including the recent economic downturn, the digital revolution and the high cost to transition to digital, piracy and cam cording in theaters, new revenue streams that compete with traditional entertainment models, and consumer-created content online. The movie industry has additionally been subject to reduced financing options and stricter scrutiny by investors in film projects, window compressions necessary to comply with new digital formats that reduce the size of a movie file and therefore how it will be viewed on big screens, which compromises the creative integrity of films, and the industry is affected by reduced film slates, i.e. the number of films slated for production annually (original and sequels), and, competition from global producers.

Yet, the film industry is still dominated by the six U.S. motion picture studios, which form the base of the MPAA's membership⁵⁰, and a handful of so-called large independent studios such as Lionsgate Films or the Weinstein Company, which produce blockbusters that dominate worldwide charts. Indie studios are exponentially more challenged than the majors by lending limitations, piracy and fewer resources to compete globally, and depend on reliable licensing deals and pre-sales to compete. The majors mostly rely on Indies to produce films, tapping in to niche expertise and the nimble business environment in smaller firms that can react swiftly to market conditions as they are less affected by a large corporate structure.

Hollywood has perfected the trifecta of franchises, sequels and remakes to yield consistent box office returns. Box office revenues will reach \$12.53 billion, growing 3.1 percent by 2018. Movie theater admissions are increasing very slowly, due to competition from multiple viewing and consumption devices and formats in the digital and online arena. The MPAA estimates the film industry supports nearly two million jobs and \$104 billion in wages across subsidiary industries. The United States boasts a whopping \$14 billion filmed entertainment trade surplus (according to the most recently available data from 2012).

U.S. films are viewed in 140 countries, but market barrier restrictions are plentiful, ranging from cultural content and censorship restrictions, import quotas, taxation, unfair customs valuation practices, and protectionist measures designed to grow domestic industries and keep foreign businesses at bay, and persistent and rampant piracy worldwide.

Global Export Market Opportunities

There film industry offers a handful of top trade shows for business and trade, including the Cannes Film Festival, the American Film Market, Hong Kong Filmart, and MIP COM, and a slew of major or smaller film festivals around the globe such as the Toronto and Sundance Film Festivals. Small businesses typically have to decide how to budget for the year and sometimes can choose only one or two shows to attend. In addition to meeting buyers and distributors at trade shows, independents can attend festivals and utilize social media and traditional marketing tools to gain attention for their content.

Besides the six top markets, there are pockets of opportunities depending on the types of content being sold and the experience of the exporter with foreign

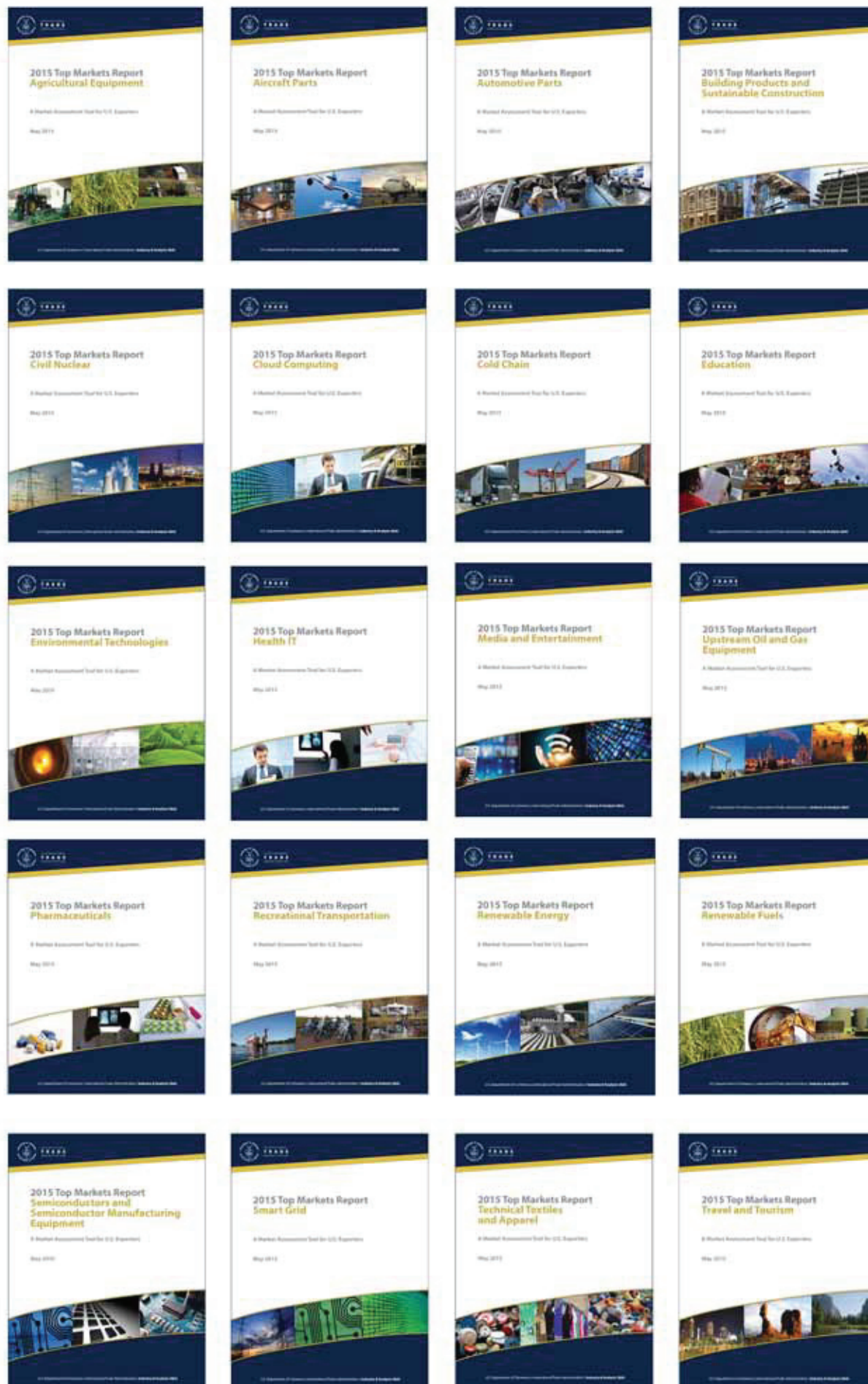
Figure 12: Top Markets Filmed Entertainment Exports & Licensing*

2014 - 2018	Rank	Country
Strong Prospects	1	United Kingdom
	2	China
	3	Canada
Less Certain Export Growth	4	Brazil
	5	India
Significant Obstacles	6	Mexico

* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

trade. For example, both Indies and majors can take advantage of co-pro arrangements with a host of European and Latin American nations, Canada, China, South Africa, and many other countries that offer formal agreements or tax incentives for the filmed entertainment industry. TV content is in demand across

a variety of European markets, and is often required to be translated or dubbed to local languages. The MPAA and Independent Film and Television Alliance (IFTA), as well as state government film commissions, offer resources about domestic and overseas filming opportunities.



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